

**FILED**

AUG 31 2015

SECRETARY, BOARD OF  
OIL, GAS & MINING

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF BILL BARRETT CORPORATION FOR AN ORDER POOLING ALL INTERESTS, INCLUDING THE COMPULSORY POOLING OF THE INTERESTS OF CERTAIN NON-CONSENTING OR UNLOCATABLE OWNERS, IN SPECIAL DRILLING UNIT #17, ESTABLISHED FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH FORMATIONS, COMPRISED OF LOT 1 OF SECTION 16, AND LOTS 1 THROUGH 5, W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$  AND E $\frac{1}{2}$ NW $\frac{1}{4}$  OF SECTION 17, TOWNSHIP 2 SOUTH, RANGE 2 EAST, USM, AND LOTS 1 THROUGH 4, NE $\frac{1}{4}$  AND E $\frac{1}{2}$ SE $\frac{1}{4}$  [A/K/A RESURVEY NO. 42] OF SECTION 9, TOWNSHIP 6 SOUTH, RANGE 19 EAST, SLM, UINTAH COUNTY, UTAH

**[PROPOSED]  
FINDINGS OF FACT,  
CONCLUSIONS OF LAW AND  
ORDER**

Docket No. 2015-022

Cause No. 131-140

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, August 26, 2015, at 9:00 a.m., in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City, Utah. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Susan S. Davis, Gordon L. Moon, Carl F. Kendell, Chris D. Hansen, and Michael R. Brown. Board member Richard K. Borden was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Participating and testifying on behalf of Petitioner Bill Barrett Corporation (“BBC”) electronically from BBC’s Denver offices (pursuant to authorization granted under Board Order entered on August 19, 2015) were Teale P. Stone – Landman, David M. Watts – Land Manager, and Brent A. Murphy – Drilling Engineering Advisor. Mr. Watts and Mr. Murphy were recognized by the Board as experts in petroleum land management and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared in person before the Board as attorney for BBC.

The Division of Oil, Gas and Mining (the “Division”) did not file a staff memorandum in this Cause but participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for, and John Rogers, Associate Director, made a statement on behalf of, the Division. Mr. Rogers expressed that the Division had no objection to the granting of BBC’s Request for Agency Action dated July 8, 2015 as conformed to the testimony and evidence received at the hearing (the “Request”) and offered no position on the percentage of risk allocation award.

Fredric J. Donaldson, Esq., Assistant Attorney General, appeared in a limited capacity on behalf of the Utah Department of Transportation (“UDOT”) and the Utah Division of Forestry, Fire and State Lands (“DFFSL”); specifically, to stipulate on the record that the Agencies consent to the pooling of the UDOT/DFFSL interests and leases

retroactively to November 5, 2014, being the date of first production of the well on the Drilling Unit at issue. Mr. Donaldson also stated that confirmatory documentation was being circulated for execution and would be filed with the Board for inclusion in this Cause file within the next few weeks.

On August 13, 2015, the Board received a handwritten mark-up of the Notice of Hearing in this Cause from Sandy McGibbon stating, “[p]lease take this name off the list. I am 87 years old and I have no further interest in this matter.” Mr. McGibbon did not appear at the hearing.

No other party filed a response to BBC’s Request and no other party appeared or participated at the hearing. As a consequence of their respective failures to timely file a response and appear at the hearing after proper notice to them, BBC made an oral motion at the commencement of the hearing to declare all of the compulsory pooled parties (as named below) in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400, which the Board granted.

The Board, having considered the testimony presented and exhibits received into evidence at the hearing, being fully advised, and for good cause, hereby makes the following findings of fact, conclusions of law and order in this Cause.

## **FINDINGS OF FACT**

1. BBC is a Delaware corporation in good standing, with its principal place of business in Denver, Colorado. BBC is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal and State of Utah agencies.

2. Pursuant to its Order entered on April 16, 1975 in Cause No. 131-27 (the "131-27 Order"), as modified by the Orders entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order") and entered on November 14, 2013 in Cause No. 139-06 (the "139-106 Order") (the 131-27, 139-42 and 139-106 Orders collectively hereinafter the "Applicable Orders"), the Board established the following described Uintah County, Utah lands, designated "Special Drilling Unit #17" under the 131-27 Order, as a drilling unit for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch formations, defined as:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3 Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said [Section 3]), to the base of the Green River-Wasatch formations

(the "Subject Formations"):

Township 2 South, Range 2 East, USM

Sec. 16: Lot 1 (3.08 ac.)

Sec. 17: Lots 1, (31.38 ac.), 2 (39.99 ac.),  
3 (8.55 ac.), 4 (25.70 ac.), and  
8 (39.78 ac.),  $W\frac{1}{2}SE\frac{1}{4}$ ,  $SW\frac{1}{4}$  and  
 $E\frac{1}{2}NW\frac{1}{4}$

Township 6 South, Range 19 East, SLM

Sec. 9: Resurvey No. 42 [a/k/a Lots 1 through  
4,  $NE\frac{1}{4}$  and  $E\frac{1}{2}SE\frac{1}{4}$ ] (240.09 ac.),

comprising an aggregate 714.57 acres (the "Drilling Unit"). Most recently, the Board authorized up to four producing wells upon said drilling unit, to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon resources; provided that each additional well shall be no closer than 1,320 feet from an existing unit well completed in and producing from the formations, and no closer than 660 feet from the drilling unit boundary, without an exception location approval.

3. Oil and gas ownership within the Drilling Unit is divided into 21 different tracts, as depicted on and described in Exhibit "D" admitted into evidence, all but three of which are owned in fee (privately). Tracts 9 (2.27 acres), 12 (4.87 acres) and 18 (4.89 acres) are owned by UDOT and administered by DFFSL. Tracts 9 and 12 are subject to State of Utah Oil, Gas and Associated Hydrocarbons Lease SLA-731 under which Crescent Point Energy U.S. Corp ("Crescent Point") is the current lessee, and

Tract 18 is subject to State of Utah Oil, Gas and Associated Hydrocarbons Lease SLA-796, issued on August 14, 2015, under which International Petroleum Limited Liability Company ("Int'l Pet.") is the current lessee. The majority of the remaining fee interests are under lease to BBC, Crescent Point, Robert L. Bayless Producer, LLC ("Bayless"), Rheage Oil, L.L.C. ("Rheage") and/or Int'l Pet. Each fee lease grants the lessee the unilateral right to pool the lease with other leases within the Drilling Unit, or the written consent of the lessor to pool has since been obtained.

4. BBC, Crescent Point, Bayless, Rheage and Int'l Pet. have executed, or are subject to, by virtue of their predecessor in title's execution of, AAPL Form 610-1989 Form Joint Operating Agreements ("JOA's"), which are standard in form with some modifications standard for Uinta Basin operations, and which all name BBC as Operator. All contain the materially same terms.

5. In addition to leasehold working interests, BBC also owns undivided unleased interests in several tracts. QEP Energy Company ("QEP"), Nortex Corporation ("Nortex"), Michael Curran, Jr., and Croff Oil Company, Inc. ("Croff") also own undivided unleased interests in various tracts. Each of these parties has executed JOA's which contain the materially same terms as those addressed in Paragraph 4. As relating to the unleased interests, Exhibit "B" attached to these JOA's provides the following royalties shall be payable to the following signatories:

BBC and QEP	20%
Nortex, Mr. Curran, Jr. and Croff	1/8 (12.5%)

6. All of the JOA's provide, among other matters, for a 100%/300% risk compensation award on non-consented subsequent operations, and interest chargeable at the prime rate of J.P. Morgan Chase Bank, N.A., plus 1%. As a consequence, 97.530319% of the working interest within the Drilling Unit has been voluntarily pooled by contract. These parties made participation elections in the drilling of the FD 10-17-2-2 Well located upon (and now producing from) the Drilling Unit (the "Subject Well"), the consequences of which are governed by the respective executed JOA.

7. Mary Ellen Slemaker Benien owns an unleased undivided 0.542887% interest in oil and gas in Tract 2 (91.38 acres). However, her interest has not been voluntarily pooled.

8. Servipetrol, Inc. ("Servipetrol") owns an unleased undivided 0.117528% interest in oil and gas in Tract 2 (91.38 acres) and an unleased undivided 0.075136% interest in oil and gas in Tract 21 (246.09 acres). However, its interests have not been voluntarily pooled.

9. Oress Adams purports to own an unleased undivided 0.000979% interest, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Noreen Newsham, Helen Spring and Roma Hawk each purport to own an unleased undivided 0.000735% interest, Carol Lynn

Knowles and Clyde Smith each purport to own an unleased undivided 0.000367% interest, and Beverly Thubadeau, a/k/a Beverly Thibadeau, and Robert McGibbon each purport to own an unleased undivided 0.000245% interest, all in oil and gas in Tract 2 (91.38 acres). In addition, Oress Adams purports to own an unleased undivided 0.000626% interest, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Noreen Newsham, Helen Spring and Roma Hawk each purport to own an unleased undivided 0.000470% interest, Carol Lynn Knowles and Clyde Smith each purport to own an unleased undivided 0.000235% interest, and Beverly Thubadeau, a/k/a Beverly Thibadeau, and Robert McGibbon each purport to own an unleased undivided 0.000157% interest, all in oil and gas in Tract 21 (246.09 acres). All of these interests apparently derive through the Estate of Frederick M. Mueller [Sr.]. However, none of these interests have been voluntarily pooled.

10. Mark Haraway purports to own an undivided unleased 2.083333% interest, Megan Curran purports to own an unleased undivided 0.416667% interest, and Kathleen Watson purports to own an unleased undivided 0.3125% interest, all in oil and gas in Tracts 13 (8.78 acres), 14 (8.79 acres) and 15 (8.78 acres) and all through the Estate of Jennie F. Maguire. In addition, Megan Curran purports to claim an unleased undivided 8.333333% interest in oil and gas in Tract 15 (8.28 acres) through the Estate of Michael A. Curran [Sr.]. However, none of these interests have been voluntarily pooled.



Despite diligent efforts, neither BBC nor its leasing broker, Encore Land Services, Inc. (“Encore”), has been able to locate or contact Megan Curran.

11. As stated in Paragraph 4 above, BBC, Crescent Point, Bayless, Rheage and Int’l Pet. have the majority of the fee interests in the Drilling Unit under lease. Title to some of the underlying oil and gas in various tracts, however, remains vested in the following parties, all now determined to be deceased:

Clayton N. Smith	Harry Pulaski
Rayburne Thompson [Sr.]	A.W. Dugan, a/k/a Al W. Dugan
Leon Lewis	Lilly Sourasky, a/k/a Lily Sourasky
Leon Sourasky	R.K. Stokes, a/k/a Reginal Knox Stokes
Doris Bessudo	Reuben W. Askanase
John A. Stokes, a/k/a Johnie A. Stokes	Frederick M. Mueller [Sr.]
Ben D. Battlestein	Wendell F. Tufford
Friedrich W. Conrad [Sr.]	Evelyn Golden
Raymond C. Tufford	N.J. Meagher, Jr.
Lella Moore	Eulalia B. Ross
Rodney D. Ross	Dorothy A. Clark
Jennie F. Maguire	Michael A. Curran [Sr.]

BBC and Encore have conducted diligent investigation into who these parties' successors may be, including internet searches of genealogic websites (such as FamilySearch.org, FindaGrave.com, *etc.*), obtaining heirship affidavits from known relatives or friends, and probate searches. While BBC believes it has all such successors under lease, except as addressed in Paragraphs 9 and 10 above, there are no final Utah court orders confirming the succession through these Estates.

12. The records further reflect Evelyn Bond and Emma Phillips each as the owner of an undivided 25% interest in oil and gas in Tracts 13 (8.78 acres), 14 (8.79 acres), and 16 (8.78 acres). In addition, the records reflect Evelyn Bond is the owner of an undivided 25% interest in Tract 15 (8.78 acres). BBC is aware both parties are deceased, but there are no Utah probate proceedings for either party's estate and, despite diligent efforts, BBC and Encore have been unable to identify any successors to either party to which offers to lease or participate and/or voluntarily pool their interests could be directly sent.

13. The deceased parties identified in Paragraphs 11 and 12 above are collectively hereinafter referred to as the "Decedents."

14. Commencing in November 2012, BBC, through Encore, conducted good faith negotiations for the leasing of Mary Ellen Slemaker Benien's interest but no response was ever received. By Letter dated May 19, 2015, with confirmed receipt on

June 2, 2015, BBC provided Ms. Benien with an offer to lease or participate as an unleased working interest owner in the Subject Well, with enclosed authorization for expenditure (“AFE”) and a proposed JOA. No response or tender of her share of the AFE’d costs was ever received.

15. Commencing in June 2014, BBC, through Encore, conducted good faith negotiations for the leasing or participation of Servipetrol’s interest, but no mutually acceptable terms could be reached. By Letter dated May 19, 2015, with confirmed receipt on June 18, 2015, BBC provided Servipetrol with an offer to participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. No response or tender of its share of the AFE’d costs was ever received.

16. Commencing in August 2014, BBC, through Encore, conducted good faith negotiations for the leasing or participation of the interests of Oress Adams, Gwen Schock, Sandy McGibbon, Ralph McGibbon, Beverly Thubadeau, a/k/a Beverly Thibadeau, Robert McGibbon, Noreen Newsham, Helen Spring, Roma Hawk, Carol Lynn Knowles and Clyde Smith, but no mutually acceptable terms could be reached. Several of them expressly stated that they did not want to be contacted or receive any further correspondence. By Letters dated May 19, 2015, with confirmed receipt or failure by the recipient to claim after notice as indicated:

<u>Party</u>	<u>Date of Receipt/Unclaimed</u>
Oress Adams	June 4, 2015
Gwen Schock	Notice - June 5, 2015/Picked up - June 26, 2015
Sandy McGibbon	Notice - June 4, 2015/Refused
Beverly Thubadeau, a/k/a Beverly Thibadeau	June 4, 2015
Ralph McGibbon	June 9, 2015
Robert McGibbon	Notice - June 4, 2015/Unclaimed
Noreen Newsham	June 8, 2015
Roma Hawk	June 4, 2015
Helen Spring	Notice - June 11, 2015/Unclaimed
Carol Lynn Knowles	June 4, 2015
Clyde Smith	Notice - June 5, 2015/Picked up June 12, 2015,

BBC offered each party the opportunity to lease or participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. Oress Adams affirmatively elected not to lease or participate, Roma Hawk responded in a June 6, 2015 Letter to BBC, reiterating her desire “not to be included in anything you [BBC] do with this property,” and Mr. McGibbon responded directly to the Board as outlined in the preamble above. None of the other parties have responded, and no party tendered their respective share of the AFE’d costs.

17. Commencing in February 2015, BBC, through Encore, conducted good faith negotiations for the leasing or participation of the interests of Mark Haraway and Kathleen Watson, but no mutually acceptable terms could be reached. By Letters dated May 19, 2015, with confirmed receipt or failure by the recipient to claim after notice as indicated:

<u>Party</u>	<u>Date of Receipt/Unclaimed</u>
Mark Haraway	June 2, 2015
Kathleen Watson	May 28, 2015

BBC offered each party the opportunity to lease or participate as an unleased working interest owner in the Subject Well, with enclosed AFE and proposed JOA. No response or tender of their proportionate share of the AFE'd costs was received.

18. Pursuant to the Board's Order entered July 14, 2015, a notice of the opportunity to lease or to participate in the Subject Well as an unleased working interest owner, expressly directed to and naming Megan Curran and all parties claiming oil and gas ownership in the Drilling Unit by, under or through the Estates of Evelyn Bond and Emma Phillips and otherwise directed to any and all parties not already leased or participating in the Subject Well and claiming oil and gas ownership within the Drilling Unit by, through or under any of the remaining Decedents, was published in the Uintah

Basin Standard on July 14, July 21 and July 28, 2015. No responses to said published offer or any tender of the respective share of costs were ever received.

19. Mary Ellen Slemaker Benien, Servipetrol, Oress Adams, Sandy McGibbon, Gwen Schock, Beverly Thubadeau, a/k/a Beverly Thibadeau, Ralph McGibbon, Noreen Newsham, Robert McGibbon, Roma Hawk, Helen Spring, Clyde Smith, Carol Lynn Knowles, the unknown successors of Emma Phillips, deceased, the unknown successors of Evelyn Bond, deceased, Mark Haraway, Kathleen Watson, Megan Curran, and all parties not leased or otherwise not participating in the Subject Well and claiming title by, through or under any of the remaining Decedents are collectively hereinafter referred to as the "CP Parties."

20. In accordance with the Applicable Orders and its Application for Permit to Drill approved by the Division of Oil, Gas and Mining, BBC spud the Subject Well on August 27, 2014, at a location in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 17 (2,312' FSL and 2,935' FWL) and completed it as a producing oil well, and with first production achieved on November 5, 2014. The Subject Well was completed and produces from intervals within the Subject Formations. It also was deemed "economically feasible" to drill as that term is utilized in the Applicable Orders.

21. The Subject Well is the first and only well located upon the Drilling Unit. As reflected by Exhibit "8" admitted into evidence, the nearest existing producing wells

at the time the Subject Well was spud were located over one mile away, and, as to the wells located to the west and southeast, the production data encompassed less than two months' time. The Subject Well, therefore, was considered a "step-out" well. In addition, the complex nature of the Lower Green River-Wasatch formations presents inherent risks. In order to drill to total depth, with the amount of shows, sufficient mud weight is necessary for control, but an improper weight could result in breaking down and losing returns in shallower zones, requiring a delicate balance with associated risks. As a consequence, the Subject Well inherently carried an elevated risk of successful completion and production.

22. Given the findings outlined in Findings of Fact Nos. 14-18 and 21 above, and based on the other evidence presented, the risks assumed by BBC and the other participating working interest owners in the drilling of the Subject Well justifies a 300% risk compensation award.

23. The terms and conditions of the JOA, admitted into evidence at the hearing as BBC's Exhibit "5" and attached hereto and by this reference incorporated herein, are justified, fair and reasonable, materially consistent with those of the other JOA's covering the Drilling Unit, as well as other lands within the greater Uinta Basin, and are appropriate to govern the relationship between BBC, as Operator, and the CP Parties, to the extent not inconsistent with this Order.

24. The average weighted fee royalty interest in the Drilling Unit, which accounts for the royalties under the various JOA's, is 17.015450%.

25. An interest rate charge of prime rate in effect at JP Morgan Chase Bank plus 1% is justified, fair and reasonable.

26. Estimated plugging and abandonment costs of \$75,000 based on 100% working interest ownership are justified, fair and reasonable.

27. As of July 27, 2015, the actual costs of drilling the Subject Wells were \$3,258,083 based on a 100% working interest and as detailed on Exhibit "7" admitted into evidence. Said costs are deemed justified, fair and reasonably incurred.

28. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed, to those of the CP Parties with known or previously validated addresses. In addition, a copy of the Request was mailed, postage pre-paid, to all other production interest owners within the Drilling Unit and to the DFFSL, as a regulatory agency having jurisdiction over oil and gas ownership in portions of the Drilling Unit. Said mailings were sent to the parties' last address disclosed by the relevant Uintah County and Agency realty records and BBC's internal land records.

29. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on August 2, 2015, and in the Uintah Basin Standard and Vernal Express on August 4, 2015.



30. The vote of the Board members present in the hearing and participating in this Cause was unanimous (6-0) in favor of granting the Request.

### **CONCLUSIONS OF LAW**

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §40-6-6.5.

3. BBC has sustained its burden of proof, demonstrated good cause and satisfied all legal requirements for the granting of the Request as conformed to the testimony and evidence received at the hearing.

4. Pursuant to the holding in *Cowling v. Board of Oil, Gas and Mining*, 830 P.2d 220, 226 (Utah 1991), the Applicable Orders established, upon their respective entry, the parties' correlative rights to production from any well located on the Drilling Unit.

5. BBC exercised good faith in attempting to solicit from all of the CP Parties the leasing or participation of their interests in the Subject Well.

6. Due to their failure to timely respond to the Request and to appear at the hearing after proper notice, all of the CP Parties are declared in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400.

7. The CP Parties are deemed “non-consenting owners,” as that term is defined in Utah Code Ann. §40-6-2(11), as relating to the Subject Well, and are properly deemed to have refused to agree to bear their respective proportionate share of the costs of the drilling and operation of the said Well as provided in Utah Admin. Code Rule R649-2-9(1).

8. BBC, as Operator on behalf of itself, Crescent Point, Bayless, Rheage, Int’l Pet., QEP, Nortex, Michael Curran, Jr., and Croff, is deemed a “consenting owner,” as that is defined in Utah Code Ann. §40-6-2(4), as relating to the Subject Well.

9. The compulsory pooling of the CP Parties’ interests in the Drilling Unit retroactive to November 5, 2014, being the date of first production of the Subject Well, under the terms and conditions set forth in this Order is just and reasonable, and insures all parties will receive their fair and equitable share of production from the Subject Well.

### **ORDER**

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request as conformed to the testimony and evidence received at the hearing in this Cause is granted.

2. The interests of all parties subject to the jurisdiction of the Board, specifically including the CP Parties in the Drilling Unit, are pooled retroactively to November 5, 2014 (being the date of first production of the FD 10-17-2-2 Well).

3. Operations on any portion of the Drilling Unit shall be deemed for all purposes to be the conduct of operations upon each separately owned tract in the Drilling Unit by the several owners.

4. Production allocated or applicable to a separately owned tract included in the Drilling Unit shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

5. Each owner shall pay his allocated share of the costs incurred in drilling and operation of the Subject Well, including, but not limited to, the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities, reasonable charges for administration and supervision of operations, and other costs customarily incurred in the industry, all to be governed in accordance with the terms and conditions of the JOA executed with BBC or, only in the case of the CP Parties, the JOA attached hereto to the extent not otherwise inconsistent with this Order.

6. The CP Parties are “non-consenting owners” and BBC, as Operator of the Drilling Unit on behalf of itself, Crescent Point, Bayless, Rheage, Int’l Pet., QEP, Nortex, Michael Curran, Jr. and Croff, is a “consenting owner” as these terms are utilized in Utah Code Ann. §40-6-6.5, with respect to the Subject Well. Such parties shall hereinafter be referred to by utilizing such terms with capitalization.

7. The interests of the Non-Consenting Owners shall be deemed relinquished to the Consenting Owner during the period of payout for the Subject Well, as provided in Utah Code Ann. §40-6-6.5(8). The relinquishment does not constitute a defeasance of title to the interest in the mineral estate, but rather the relinquishment of the revenue stream attributable to the Non-Consenting Owners’ allocated share during the respective period of payout after payment of the royalty provided herein.

8. Each Non-Consenting Owner shall be entitled to receive, subject to the royalty specified herein, the share of the production of the Subject Well applicable to such owner’s interest in the Drilling Unit after the Consenting Owner has recovered the following from such Non-Consenting Owner’s share of production: (1) 100% of the Non-Consenting Owner’s share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping; (2) 100% of the Non-Consenting Owner’s share of the estimated costs of plugging and abandoning the Subject Well, which estimated costs are and shall be \$75,000 (based on a

100% working interest); 100% of the Non-Consenting Owner's share of the cost of operation of the Subject Well, commencing with first production and continuing until the Consenting Owner has recovered all costs; and (4) a risk compensation award of 300% of the Non-Consenting Owner's share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the Subject Well, to and including the wellhead connection, as such costs are delineated in Utah Code Ann. §40-6-6.5(4)(d). The Non-Consenting Owner's share of costs is that interest that would have been chargeable to the Non-Consenting Owner had such owner initially agreed to pay such owner's share of the costs of the Subject Well, from the commencement of operations. In addition, a reasonable interest rate of prime in effect at JP Morgan Chase plus 1% shall be imposed per Utah Code Ann. §40-6-6.5(4)(d)(iii).

9. Each unleased Non-Consenting Owner shall receive a royalty equal to the average weighted fee landowner's royalty of 17.015450%. When calculating the division of interest for each such Non-Consenting Owner, the average weighted fee landowner's royalty shall be proportionately reduced in the ratio that said Non-Consenting Owner's interest bears to (1) the total interest in the tract and (2) then further reduced in the ratio that the tract acres bear to the total acreage in the Drilling Unit. The proportionately reduced royalty shall be paid to each unleased Non-Consenting Owner until such time as

such Non-Consenting Owner's share of costs, the 300% risk compensation award, and applicable interest charges have been fully recouped, as provided in Utah Code Ann. §40-6-6.5 and in this Order.

10. The Consenting Owner shall furnish each Non-Consenting Owner with monthly statements specifying:

- a. costs incurred;
- b. the quantity of oil or gas produced; and
- c. the amount of oil and gas proceeds realized from the sale of production during the preceding month,

as relating to the Subject Well.

11. Upon the payout of the Subject Well, as set forth in Order No. 12 below, the Non-Consenting Owners' relinquished interests in said Well shall automatically revert to them, and the Non-Consenting Owners shall from that time forward own the same interest in the Well and the production from it, and shall be liable for the further costs of operation, as if such owners had participated in the initial drilling and completion operations.

12. Payout occurs when the Consenting Owner has recouped from the Non-Consenting Owners the costs and expenses of drilling and completing the Subject Well, together with the risk compensation award (non-consent penalty) and interest, as provided for in Order No. 8 above.

13. In any circumstance when any Non-Consenting Owner has relinquished such owner's share of production to the Consenting Owner or at any time fails to take such owner's share of production in-kind, when such owner is entitled to do so, such Non-Consenting Owner is entitled to an accounting of the oil and gas proceeds applicable to such owner's relinquished share of production; and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

14. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

15. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.

16. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial

review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

*Id.* The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.



*Id.* See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

17. The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

18. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this \_\_\_\_\_ day of September, 2015.

**STATE OF UTAH  
BOARD OF OIL, GAS AND MINING**

By: \_\_\_\_\_  
Ruland J. Gill, Jr., Chairman

### CERTIFICATE OF SERVICE

I hereby certify that, on this 31<sup>st</sup> day of August, 2015, I caused a true and correct copy of the foregoing Proposed Findings of Fact, Conclusions of Law and Order, with attached joint operating agreement, to be mailed, postage pre-paid, and sent electronically to the following:

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